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Office of the Legislative Auditor

State of Montana

Report to the Legislature

February 1993

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1992

Montana Chiropractic Legal Panel

This report contains one recommendation addressing Legal Panel revenue collections.

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Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1992

Montana Chiropractic Legal Panel

Members of the audit staff involved in this audit were: Maureen G. Leo and Vickie Rauser.

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

February 1993

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Chiropractic Legal Panel for the two fiscal years ended June 30, 1992. Included in this report is one recommendation concerning revenue procedures. The panel's written response to the audit recommendation is included in the back of the audit report.

We thank the Montana Chiropractic Legal Panel for their assistance and cooperation.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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Administrative Officials

Montana Chiropractic Legal Panel	Mary McCue, Director

Summary of Recommendations

This listing below serves as a means of summarizing the recommendation contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the panel:

A. Formally communicate the amount of the legal panel assessment fee to the Department of Commerce, Board of Chiropractors. 6

Panel Response: Concur. See page B-3.

B. Assess late charge fees in accordance with state law. 6

Panel Response: Concur. See page B-3.

C. Consider seeking legislation to revise the amount of the late charge fees. 6

Panel Response: Concur. See page B-3.

D. Implement procedures to ensure MCLP receives the revenues to which it is entitled. 6

Panel Response: Concur. See page B-3.

Introduction

Introduction

We performed the initial financial-compliance audit of the Montana Chiropractic Legal Panel (MCLP) for the two fiscal years ended June 30, 1992. The audit objectives were to:

1. Determine MCLP's compliance with applicable laws and regulations.
2. Make recommendations for improvements in the management and internal controls of MCLP.
3. Determine if the financial schedules present fairly the results of operations of MCLP for the two fiscal years ended June 30, 1992.

This report contains one recommendation to MCLP. This recommendation addresses an area where MCLP can improve internal control, financial reporting, and compliance with laws and regulations. Other areas of concern not having a significant effect on the successful operations of MCLP are not included in this report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendation made in this report.

Background

The Montana Chiropractic Legal Panel was established as a state agency in January 1990 by Chapter 262, Laws of 1989. Its duties are set forth in Title 27, chapter 12, of the Montana Codes Annotated (MCA).

MCLP reviews malpractice claims made against chiropractic physicians. It must hear and make a decision on a claim before the claim can be filed in court. MCLP determines if there is substantial evidence the stated act or omission occurred, whether the act or omission constitutes malpractice, and if there is reasonable medical probability of injury because of the act or omission.

Introduction

The executive director of the Montana Chiropractic Association appoints the MCLP director, subject to the approval of the chief justice of the Montana Supreme Court.

MCLP is administratively attached to the Montana Supreme Court. However, the panel does its own accounting and budgeting.

Each time a hearing is held the director selects the panel members. Each panel consists of three attorneys and three chiropractic physicians. One of the attorneys is chosen to be the chairperson. MCLP has held two hearings since its creation.

Prior Audit Recommendations

Prior Audit Recommendations	This is the initial financial-compliance audit of the panel. Therefore, there are no prior audit recommendations.

Finding and Recommendation

Revenue Procedures

MCLP receives its revenues from an annual fee assessed to chiropractors practicing in the state. State law requires the MCLP director to determine the amount of the assessment annually. The amount of the assessment should be commensurate with the costs of administering the program. The Board of Chiropractors (board) at the Department of Commerce collects the revenue and deposits the money in the state treasury to the credit of MCLP. The board includes the assessment with the license renewal notices and requests payment before the September 30 license renewal deadline. Per section 27-12-206, MCA, an unpaid assessment bears a late charge fee equal to the judgement rate of interest (10 percent per annum).

During our audit, we identified several areas of concern related to revenues. These concerns are:

1. The director believed the fee was $90 when actually $95 was being assessed.

2. Board personnel did not discuss how much the fee should be with the director.

3. The board did not consistently assess a late fee against chiropractors during the audit period.

4. The late fee charged was in violation of section 27-12-206, MCA.

5. The MCLP did not perform any procedures to ensure it received the revenue to which it was entitled.

The following paragraphs discuss these concerns in more detail.

Personnel at MCLP told us the legal panel assessment was $90 per year. Board personnel stated the assessment was $95 and always had been. Board personnel stated further that all contact with MCLP concerning assessments for the two fiscal years under audit was through the executive director of the Montana Chiropractic Association. This situation demonstrates the need for formal communication between MCLP and the board as to the amount of the assessment.

The board did not assess a late charge fee during the license renewal process for both fiscal years if the chiropractor submitted everything but the legal panel assessment by September 30. Board personnel stated if the assessment was the only thing outstanding, it was not necessary to assess a late charge fee. According to section 27-12-206, MCA, the late charge fee is to be assessed if the legal panel assessment is not in by September 30. During fiscal year 1991-92, the board did not assess late charge fees to eleven chiropractors who did not pay their legal panel assessment before September 30, 1991. Board personnel stated it was an oversight on their part.

According to section 27-12-206, MCA, the late charge fee is equal to the judgement rate of interest. Section 25-9-205, MCA, defines the judgement rate of interest to be 10 percent per annum. Thus, the late charge fee should not be greater than $9.50 per year. For both fiscal years, the board set the late charge fee at $35. Discussion with board personnel indicated $35 is necessary to cover costs of processing late renewals. MCLP should consider seeking legislation to revise the amount of the late charge fee to take advantage of the system already in place at the Board of Chiropractors.

MCLP did not perform any procedures to determine whether it received all of the revenue to which it was entitled during fiscal years 1990-91 and 1991-92. We reviewed the renewal files to determine the number of renewals subject to assessment. The following chart illustrates the difference between the amount of revenue received and what should have been received using the $35 late charge fee.

	Should Have Received	Did Receive	(Over)Under Collected
Fiscal Year 1990-91			
Assessments	$14,725	$14,345	$380
Late Charge Fees	140	155	(15)
Total	$14,865	$14,500	$365
Fiscal Year 1991-92			
Assessments	$15,295	$15,010	$285
Late Charge Fees	385	0	385
Total	$15,680	$15,010	$670

Finding and Recommendation

Although revenues were not significantly undercollected for this audit period, there is a need for monitoring procedures at MCLP. These procedures could include a review of renewal files or a comparison of actual revenues to estimated revenues. If actual revenues are below or above the estimate, MCLP should determine the reason(s) for the difference.

Such monitoring should not take an extensive amount of time. One to two hours per year should be sufficient to review the renewal files at the Board of Chiropractors. A comparison of actual revenue to estimated revenues would require less than an hour. These procedures would provide assurance MCLP receives the revenues to which it is entitled.

Recommendation #1

We recommend the panel:

A. Formally communicate the amount of the legal panel assessment fee to the Department of Commerce, Board of Chiropractors.

B. Assess late charge fees in accordance with state law.

C. Consider seeking legislation to revise the amount of the late charge fees.

D. Implement procedures to ensure MCLP receives the revenues to which it is entitled.

Independent Auditor's Report & Panel Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit. The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented.

The opinion on the financial schedules presented indicates the schedules are fairly stated in all material respects and the user can rely on the information presented.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
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LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Montana Chiropractic Legal Panel for each of the two years ending June 30, 1991 and 1992, as shown beginning on page A-4. These financial schedules are the responsibility of the legal panel's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial schedules, the legal panel's financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the legal panel's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly the results of operations and changes in fund balances of the Montana Chiropractic Legal Panel for the two fiscal years ending June 30, 1991 and 1992, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

October 7, 1992

MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	Special Revenue Funds
FUND BALANCE: July 1, 1990	$ 0
ADDITIONS	
Fiscal Year 1990-91	
Budgeted Revenue & Transfers In	14,500
Fiscal Year 1991-92	
Budgeted Revenue & Transfers In	15,010
Total Additions	29,510
REDUCTIONS	
Fiscal Year 1990-91	
Budgeted Expenditures & Transfers Out	9,750
Fiscal Year 1991-92	
Budgeted Expenditures & Transfers Out	8,792
Total Reductions	18,542
FUND BALANCE: June 30, 1992	$10,968

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on page A-7.

MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	Charges For Services	
	1990-91	1991-92
SPECIAL REVENUE FUND		
Estimated Revenue	$13,000	$10,000
Actual Revenue	14,500	15,010
Collections Over (Under) Estimate	$ 1,500	$ 5,010

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on page A-7.

MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
BUDGET AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	Legal Panel Operations	
	1990-91	1991-92
OPERATING EXPENSES		
Other Services[1]	$ 9,750	$ 8,206
Travel	0	586
Total	9,750	8,792
TOTAL PROGRAM EXPENDITURES	$ 9,750	$ 8,792
SPECIAL REVENUE FUND		
Budgeted	$13,000	$13,000
Actual	9,750	8,792
Unspent Budget Authority	$ 3,250	$ 4,208

[1]See note 2 on page A-7.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on page A-7.

Notes to Financial Schedules
For the Two Fiscal Years Ended June 30, 1992

1. Summary of Significant Accounting Policies

Basis of Accounting

The legal panel uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Fund. In applying the modified accrual basis, the panel records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable.

Expenditures may include entire budgeted service contracts even though the legal panel received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The legal panel uses the following fund:

Governmental Fund

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. The legal panel's entire operation is accounted for in a Special Revenue Fund.

2. Operating Expenditures

The legal panel's "other services" expenditures include the management fee paid to the panel director, the fee paid to a consultant for drafting administrative rules, and the costs associated with conducting panel reviews. These costs include photocopying and postage.

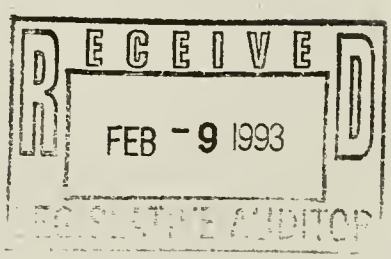
Panel Response

MONTANA CHIROPRACTIC LEGAL PANEL

1215 Eleventh Avenue
P.O. Box 543
Helena, MT 59624

Director:
Mary Kelly McCue

Telephone: (406) 442-4448
FAX: (406) 442-8018



February 9, 1993

Mr. Scott Seacat, Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

The following is my response, as director of the Chiropractic Legal Panel, to the Finding and Recommendation Section of the Financial-Compliance Audit of the Office of the Legislative Auditor for the two fiscal years ended June 30, 1992.

Recommendation #1: We recommend the panel:

A. Formally communicate the amount of the legal panel assessment fee to the Department of Commerce, Board of Chiropractors.

B. Assess late charge fees in accordance with state law.

C. Consider seeking legislation to revise the amount of the late charge fees.

D. Implement procedures to ensure MCLP receives the revenues to which it is entitled.

Response: I concur with this recommendation. Board personnel send renewal notices to licensees in mid-July each year; I intend to communicate the annual assessment amount to board personnel in writing prior to that time in order that the fee may be included in the renewal notices.

House Bill 147, which sets the late charge fee at a flat rate of $25.00 per year, has passed the House and Senate and is headed to the governor's desk for his signature. This revises the amount of the late charge fee. I intend to monitor and review the board's renewal files to ensure that proper amounts of late fees are collected.

I also intend to periodically review the renewal files of the Board of Chiropractors after collection of the annual assessment from each chiropractor to ensure that the panel receives the revenues to which it is entitled.

I also intend to compare the actual revenues collected by the board for this program to the estimated revenues. I intend to implement these procedures beginning with fiscal year 1993.

In response to the auditor's statement that board personnel did not discuss how much the fee should be with the director, I wish to comment that the first year the fee was assessed, I communicated the amount to board staff person Mary Lou Garrett. The second year I set the fee at the same amount as the previous year and that information was communicated to Ms. Garrett. As director, I determined the amount of the fee each year. The fee was not set by the executive director of the Montana Chiropractic Association.

Sincerely,

Mary Kelly McCue

Mary Kelly McCue